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Wednesday, June 01, 2016

Report of the Day

Results Review: MMC Corp 1Q16 – “Reaping Benefits From M&A Activity”

Results Review: Bumi Armada 1Q16 – “An Unexciting Quarter”

At a Glance

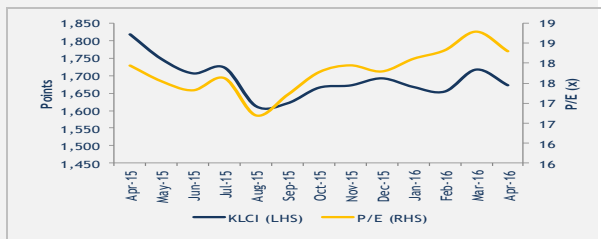
FBMKLCI down 3.87 points to close at 1,626.00, weighed down the weakening of Ringgit against USD.....(See full report next page)

Corporate Highlights

- **MMC Corp, BUY (TP: RM2.80):** Q1 earnings nearly halved
- **Bumi Armada, BUY (TP: RM0.84):** Q1 earnings lower at RM23m
- **Astro (CP: RM2.76):** Records higher first-quarter profit

Economic Update

- **Malaysia:** Statistics dept sees business slowdown in Q2
- **US:** consumer spending posts biggest gain in more than six years
- **Australia:** Strong Australian exports suggest central bank likely on hold next week



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
EU	30-May	5:00 PM	Consumer Confidence	-7	-7
JP	30-May	7:50 AM	Retail Sales MoM	-0.50%	-1.40%
US	31-May	8:30 PM	Personal Income	0.40%	0.40%
US	31-May	8:30 PM	Personal Spending	0.40%	0.10%
US	31-May	8:30 PM	PCE Core MoM	0.20%	0.10%
US	31-May	8:30 PM	PCE Core YoY	1.60%	1.60%
US	31-May	9:00 PM	S&P/CasheShiller 20-City Index HSA	182.79	182.79
EU	31-May	4:00 PM	M3 Money Supply YoY	5.00%	5.00%
EU	31-May	5:00 PM	Unemployment Rate	10.20%	10.20%
EU	31-May	5:00 PM	CPI Estimate YoY	-0.10%	-0.20%
EU	31-May	5:00 PM	CPI Core YoY	0.70%	0.70%
JP	31-May	7:50 AM	Industrial Production MoM	-1.50%	3.80%
JP	31-May	7:50 AM	Industrial Production YoY	-5.20%	0.20%
JP	31-May	1:00 PM	Housing Starts YoY	4.00%	8.40%
JP	31-May	1:00 PM	Annualized Housing Starts	0.993m	0.993m
JP	31-May	1:00 PM	Construction Orders YoY	19.80%	19.80%
CN	31-May	12:00 AM	Leading Index	99.1	99.1
US	1-Jun	7:00 PM	MBA Mortgage Applications	2.30%	2.30%
US	1-Jun	9:45 PM	Markit US Manufacturing PMI	50.5	50.5
US	1-Jun	10:00 PM	ISM Manufacturing	50.5	50.8
US	1-Jun	10:00 PM	Construction Spending MoM	0.50%	0.30%
EU	1-Jun	4:00 PM	Markit Eurozone Manufacturing PMI	51.5	51.5
EU	1-Jun	5:00 PM	OECD Economic Outlook	51.5	51.5
JP	1-Jun	7:50 AM	Capital Spending YoY	2.90%	8.50%
JP	1-Jun	1:00 PM	Vehicle Sales YoY	7.20%	7.20%
CN	1-Jun	9:00 AM	Manufacturing PMI	50	50.1
CN	1-Jun	9:00 AM	Non-manufacturing PMI	53.3	53.3
CN	1-Jun	9:45 AM	Caixin China PMI Mfg	49.3	49.4
US	2-Jun	8:15 PM	ADP Employment Change	178k	156k
US	2-Jun	8:30 PM	Initial Jobless Claims	268k	268k
US	2-Jun	8:30 PM	Continuing Claims	2163k	2163k
EU	2-Jun	9:45 PM	Bloomberg Consumer Comfort	42	42
EU	2-Jun	5:00 PM	PPI MoM	0.30%	0.30%
EU	2-Jun	5:00 PM	PPI YoY	-4.20%	-4.20%
EU	2-Jun	7:45 PM	ECB Main Refinancing Rate	0.00%	0.00%
EU	2-Jun	7:45 PM	ECB Deposit Facility Rate	-0.40%	-0.40%
EU	2-Jun	7:45 PM	ECB Marginal Lending Facility	0.25%	0.25%
JP	2-Jun	7:50 AM	Monetary Base YoY	26.80%	26.80%
US	3-Jun	8:30 PM	Trade Balance Revisions: U.S. International Trade in Goods and Services	\$41.9b	\$40.4b
US	3-Jun	8:30 PM	Change in Nonfarm Payrolls	160k	160k
US	3-Jun	8:30 PM	Unemployment Rate	4.90%	5.00%
US	3-Jun	9:45 PM	Markit US Services PMI	51.4	51.2
US	3-Jun	9:45 PM	Markit US Composite PMI	50.8	50.8
US	3-Jun	10:00 PM	ISM Non-Manuf. Composite	55.3	55.7
US	3-Jun	10:00 PM	Factory Orders	0.80%	1.10%
US	3-Jun	10:00 PM	Factory Orders Ex Trans	0.80%	0.80%
US	3-Jun	10:00 PM	Durable Goods Orders	3.40%	3.40%
US	3-Jun	10:00 PM	Durables Ex Transportation	0.40%	0.40%
EU	3-Jun	4:00 PM	Markit Eurozone Services PMI	53.1	53.1
EU	3-Jun	4:00 PM	Markit Eurozone Composite PMI	52.9	52.9
EU	3-Jun	5:00 PM	Retail Sales MoM	-0.20%	-0.30%
EU	3-Jun	5:00 PM	Retail Sales YoY	2.10%	2.10%
CN	3-Jun	9:45 AM	Caixin China PMI Services	51.8	51.8
CN	3-Jun	9:45 AM	Caixin China PMI Composite	50.8	50.8
MY	3-Jun	12:00 PM	Exports YoY	0.20%	0.20%
MY	3-Jun	12:00 PM	Imports YoY	-5.50%	-5.50%
MY	3-Jun	12:00 PM	Trade Balance MYR	9.68b	11.19b

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,626.00	-3.87	-0.24
FBMEMAS	11,390.69	-10.38	-0.09
FBMEMAS SHA	11,922.64	6.44	0.05
FBM100	11,084.78	-11.98	-0.11
Volume (mn)	2,690.02	1,134.53	72.94
Value (RMmn)	6,699.82	5,051.87	306.55
FBMKLCI YTD Chg			-3.93

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	5.0	40.8
Local Institution	27.6	556.2
Foreign Investors	67.4	-597.0

Top Gainers

	Close	Change+/-	(+/- %)
UNITED PLANT	27.00	0.68	2.58
PIE INDUSTRIAL	12.68	0.68	5.67
NESTLE	76.00	0.46	0.61

Top Losers

	Close	Change+/-	(+/- %)
BAT	50.06	-0.56	-1.11
AEON CREDIT	13.58	-0.28	-2.02
GENTING PLANT	10.40	-0.22	-2.07

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,787.20	-86.02	-0.48
NASDAQ	4,948.06	14.55	0.29
S&P 500	2,096.96	-2.10	-0.10
FTSE 100	6,230.79	-40.00	-0.64
DAX	10,262.74	-70.49	-0.68
Nikkei 225	17,234.98	166.96	0.98
HSI	20,815.09	185.70	0.90
KOSPI	1,983.40	16.27	0.83
STI	2,796.75	3.41	0.12
KLCI Futures	1,611.50	(3.00)	(0.00)
USDMYR 3M	12.95	0.04	0.00
USDMYR 6M	12.82	0.02	0.00
USDMYR 12M	12.71	0.02	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	49	-0.2	-0.3%
Brent (USD/bbl)	49.9	-0.5	-0.9%
Gold(USD/ounce)	1,216	0.5	0.0%
Coal (USD/mt)	53.5	0.3	0.6%
CPO (RM/mt)	2,620	20.0	0.8%
Rubber	152	-1.1	-0.7%
RM/USD	4.13	0.0122	-0.30%
EUR/USD	0.90	0	0.00%
YEN/USD	110.69	-0.04	0.04%

What To Expect

U.S. Market

- The Dow Jones Industrials Average fell 86.02 points to 17,787.20 yesterday, S&P 500 inched 2.10 points lower to 2,096.96 points. Nasdaq slid 14.55 points to 4,848.06 at the closing. U.S. stock indexes struggled to a mixed close Tuesday as energy companies fell with the price of oil, overcoming gains in utilities and phone companies. Investors sold household goods makers after a report showed consumers are growing more worried about business and job market conditions.
- US stock prices declined on weaker-than-expected economic data, while expectations of a possible Federal Reserve interest rate increase lifted the dollar to near a two-month high against a basket of currencies.

The Local Market

- FBMKLCI down 3.87 points to close at 1,626.00, weighed down the weakening of Ringgit against USD. There were 356 gainers and 434 decliners in total value traded of RM6.71 billion.
- Among the losers on Bursa Malaysia were BAT declined 56 cent to RM50.06, Aeon Credit declined 28 cent to RM13.58, Genting Plantation slipped 22 cent to RM10.40 and Ajiya decreased 22 cent to RM3.74.

Strategy

- Our 2016 year-end FBMKLCI target is 1,790 based on PER of 17.1x. FBMKLCI is **NEUTRAL**. We have **OVERWEIGHT** call on construction, telco and oil and gas respectively. We predict Malaysia to grow by 4.3% in 2016.

CORPORATE HIGHLIGHTS

MMC Corp, BUY (TP: RM2.80): Q1 earnings nearly halved

MMC Corp Bhd's first-quarter earnings were pulled down by lower contributions from the energy, engineering and construction businesses. The company said earnings fell 46.4% year-on-year to RM51.34mil in the quarter to March 31, 2016, as revenue dropped 52.8% to RM936.27mil. The biggest blow to revenue was the listing of Malakoff Corp Bhd, which left MMC Corp with a lower effective interest of 37.6% in the water and power producer compared with 51% previously. (Source: The Star)

Bumi Armada, BUY (TP: RM0.84): Q1 earnings lower at RM23m

Bumi Armada Bhd's earnings fell sharply to RM23.43mil in the first quarter ended March 31, 2016 from the RM72.05mil a year ago due to non-cash impairment charge. The oil and gas services-related company announced on Tuesday the non-cash impairment charge was RM17.9mil. Its revenue fell to

RM430.77mil from RM572.15mil a year ago. Earnings per share were 0.4 sen compared with 1.23 sen a year ago. The earnings before interest, tax, depreciation and amortization (EBITDA) margin for Q1 2016 improved to 58.4% from 50.2% in the first quarter 2015. EBITDA for Q1 2016 was RM251.5mil compared to RM287.0mil. (Source: *The Star*)

Astro (CP: RM2.76): Records higher first-quarter profit

Astro Malaysia Holdings Bhd's net profit surged 20.12% to RM202.17mil for the first financial quarter to April 30, 2016, compared to the same quarter a year ago on the back of lower depreciation of property, plant and equipment and finance cost. Its revenue jumped 2.46% to RM1.36bil mainly due to an increase in advertising and home-shopping of RM14.1mil and RM27.4mil, offset by a decrease in subscription revenue of RM11.2mil. Earnings per share increased to 3.88 sen from 3.23 sen previously. Astro also declared a first interim single-tier dividend of three sen per share. This is higher than the 2.75 sen it had declared in the same quarter of the previous year. (Source: *The Star*)

PPB (CP: RM16.32): Q1 Pre-tax Profit Rises To RM283 Million

PPB Group Bhd's pre-tax profit for the first quarter ended March 31, 2016 rose six per cent to RM283.41 million from RM266.54 million recorded in the same period last year. PPB said revenue also rose 15 per cent to RM1.12 billion from RM976.98 million previously, due to higher revenue accrued from the grains and agribusiness, film exhibition and distribution and consumer products segments. "The increase was, however, partly offset by lower revenue from the environmental engineering and utilities plus property segments in the quarter under review. "Higher pre-tax profit was due to better results registered by the film exhibition business and higher profit contribution from associate Wilmar International Ltd," it said. (Source: *Bernama*)

Time Dotcom (CP: RM7.37): Pre-tax Profit Falls To RM39 Million

Time DotCom Bhd's pre-tax profit for the first quarter ended March 31, 2016 declined to RM39.3 million from RM57.54 million in the same period last year. Revenue, however, increased to RM175.19 million from RM171.19 million previously. Time DotCom, in a filing to Bursa Malaysia today, said the drop in profit was due to the absence of one-off revenues from global bandwidth sales and non-recurring contracts accounted for RM31.7 million of the total data revenue recognised in the first quarter last year. "Excluding the one-off revenues from global bandwidth sales and non-recurring contracts, the overall revenues in the current quarter would have shown a 22.2 per cent increase compared with the similarly adjusted revenue in the preceding year corresponding quarter," it said. (Source: *Bernama*)

OSK Holdings (CP: RM1.59): Q1 Pre-tax Profit Increases To RM85.34 Million

OSK Holdings Bhd's (OSK) pre-tax profit for the first quarter ended March 31, 2016, rose 80 per cent to RM85.34 million from RM47.50 million in the same quarter last year. The group said its revenue increased to RM348.28 million from RM13.78 million previously, mainly due to revenue generated by the newly acquired subsidiaries, OSK Property Holdings Bhd and PJ Development Holdings Bhd. "The stronger performance also consists of new revenue streams from properties and construction, industries and hospitality segments, as well

as, our existing businesses, namely, capital financing and property investment segments," it said. *(Source: Bernama)*

LBS Bina (CP: RM1.58): Q1 Pre-tax Profit Increases To RM24 Million

LBS Bina Group Bhd's pre-tax profit for the first quarter ended March 31, 2016 increased to RM24.99 million from RM19.02 million in the same period last year. Revenue jumped to RM200.47 million from RM130.84 million previously, the group said in a filing to Bursa Malaysia today. LBS Bina said the improved revenue and pre-tax profit was mainly attributable to the projects at Bandar Saujana Putra and D' Island Residence in Selangor, Cameron Golden Hills, Sinaran Mahkota and Midhills in Pahang, and Bandar Putera Indah in Johor. On prospects, it said with 17 ongoing projects, unbilled sales of approximately RM1.11 billion as at April 30, 2016, and new project launches this year, the company is confident of achieving further improvement in its financial performance for the financial year ending Dec 31, 2016. *(Source: Bernama)*

Asia File (CP: RM4.27): 4Q net profit jumps 31%

Stationery maker Asia File Corp Bhd's net profit rose 31% to RM16.92mil in the fourth quarter ended March 31 compared with RM12.9mil posted in the same period a year ago. During the quarter, Asia File posted a total sales of RM97.3mil as opposed to RM100.8mil registered in March 2015. Its earnings per share for the quarter rose to 8.87 sen against 6.83 sen a year ago. "As parts of its sales strategy, group has become more selective in its marketing approach by focusing on sales which yield better margins. This has resulted in improved margin for the quarter as profits before tax increased from RM16.7mil to RM22mil, representing an increased of 32%," Asia File said. *(Source: The Star)*

Kerjaya Prospek (CP: RM2.02): Secures RM172.4m contract

Kerjaya Prospek Group Bhd has secured a RM172.43mil contract from Eco Sanctuary Sdn Bhd, a wholly-owned subsidiary of EcoWorld Development for the main building works of the proposed development of a gated and guarded apartment project. In a filing with Bursa Malaysia, Kerjaya Prospek said its wholly-owned subsidiary, Kerjaya Prospek (M) Sdn Bhd (KPSB) secured the contract from Eco Sanctuary for the apartment project. "The contract sum of the award is RM172.43mil, which comprises main building works, amongst others, for three tower blocks of apartment ranging from 21 floors to 25 floors and one podium of car park of two floors for the project," it said. *(Source: The Star)*

Mitrajaya (CP: RM1.31): Accepts Rapid Project Contract Worth RM52 Million

Mitrajaya Holdings Bhd's wholly-owned unit, Pembinaan Mitrajaya Sdn Bhd, has accepted a RM52.42 million contract for road, drainage, culvert and duct bank works package at Pengerang's Refinery and Petrochemical Integrated Development (Rapid) project from Punj Lloyd Sdn Bhd. Mitrajaya said the contract would be undertaken in two phases with the first phase scheduled for completion within seven months from today while the second phase would be completed within six months from the effective date of October 2, 2017 with expected completion date of April 2, 2018. "The contract is expected to contribute positively to the company's future earnings," it said. *(Source: Bernama)*

MRCB (CP: RM1.16): Expects property division to hit RM1b sales target

Malaysian Resources Corp Bhd (MRCB) is planning to hit a sales target of RM1bil from its property segment. Last year, the group secured RM850mil property sales, chief operating officer Kwan Joon Hoe told reporters during a media briefing after the group's AGM on Tuesday. This year, Joon Hoe said that the group is looking at RM2.2bil worth of property launches, which includes Sentral Suites, Menara MRCB in Putrajaya, Prima homes in Kajang and its project in Bandar Sri Iskandar. For its construction segment, executive director Mohd Imran Tan Sri Mohd Salim said that the group had managed to grow and orderbook of over RM4bil. (Source: The Star)

TDM (CP: RM0.685): Records Pre-tax Profit Of RM69.4 Million For FY15

TDM Bhd has recorded a pre-tax profit of RM69.4 million for the financial year ended Dec 31, 2015 (FY15), up five per cent from RM65.9 million a year ago. However, revenue was down one per cent to RM380.8 million from RM386.1 million previously, it said in a statement here, today. "The big floods, El-Nino and haze were the contributors to the drop in crop production in 2015. This sets a cycle of low production that together with the global economic downturn and weak CPO prices, has affected TDM's revenue and profit," said chairman Lt. Gen. (Rtd) Tan Sri Wan Abu Bakar Wan Omar. He said the best way to face these challenges was by focusing its efforts on improving productivity and reducing production costs. "We have introduced measures such as implementing good agriculture practices, certification by RSPO (Roundtable on Sustainable Palm Oil), replanting of old and unproductive palms, and upgrading of mill facilities," he said. (Source: Bernama)

MTD ACPI (CP: RM0.245): Narrows FY16 net losses

MTD ACPI Engineering Bhd narrowed the losses in the financial year ended March 31, 2016 to RM3.68mil from RM32.09mil a year ago and it expects the operating environment to be challenging. The company which is involved in construction and property said on Tuesday its revenue shrank 31.3% to RM67.90mil from RM98.85mil a year ago. For the fourth quarter ended March 31, 2016, it managed to record a pre-tax profit of RM3.50mil compared with pre-tax loss of RM29.60mil a year ago. It was in the black with earnings of RM1.40mil compared with net losses of RM32.7mil a year ago. Earnings per share were 0.64 sen compared with loss per share of 14.18 sen. (Source: The Star)

ECONOMIC UPDATES**Malaysia: Statistics dept sees business slowdown in Q2**

Business is expected to slow down in the second quarter of 2016, as shown by the confidence indicator of minus 3.7% compared with minus 0.7% in the preceding quarter, the statistics department said. The confidence indicator summarises the overall views on the short-term business situation in various sectors of Malaysia, the department said in a statement on Tuesday. It said the business performance of all sectors - construction, wholesale and retail trade, services and industry - is expected to decline in the second quarter with a

confidence indicator of minus 14.5%, minus 8.2%, minus 3.7% and minus 1.8%, respectively. (Source: *The Star*)

US: consumer spending posts biggest gain in more than six years

US consumer spending recorded its biggest increase in more than six years in April and inflation rose steadily, more signs of an acceleration in economic growth that could persuade the Federal Reserve to raise interest rates again as early as June. The Commerce Department said on Tuesday consumer spending, which accounts for more than two-thirds of US economic activity, surged 1.0% last month as households bought automobiles and a range of other goods and services. Consumer spending in March was revised down to show it being flat instead of the previously reported 0.1% gain. (Source: *The Star*)

Australia: Strong Australian exports suggest central bank likely on hold next week

A strong rebound in Australian exports last quarter has helped fill a hole left by slumping business investment in the economy, adding to the case for the central bank to keep its powder dry at its policy meeting next week. Net exports alone likely added a whopping 1.1 percentage points growth to Australia's US\$1.2 trillion gross domestic product (GDP). First-quarter GDP is due on Wednesday. The figures from the Bureau of Statistics on Tuesday blew away forecasts for net exports to add 0.7 percentage points to growth. Export volumes jumped 4.4% while imports slipped 0.8%. Separately, building approvals for April rose 3%, confounding forecasts for a 3% fall. (Source: *Reuters*)

Canada: Economy Fades Through 1st Quarter as Investment Falls

Canada's first-quarter economic growth was slower than forecast and ended with a monthly contraction in March, as falling investment and oil production curbed export and consumption gains. Gross domestic product rose at a 2.4 percent annualized pace, Statistics Canada said Tuesday in Ottawa, while economists surveyed by Bloomberg predicted a 2.8 percent increase. The agency also revised growth rates down for the prior three quarters. The economy lost momentum each month, and the latest figure for March was a 0.2 percent contraction that exceeded the 0.1 percent decline economists expected. March's contraction was led by a 2.8 percent drop in the mining, quarrying and oil and gas extraction category. (Source: *Bloomberg*)

Chile: Jobs Miracle Is Starting to Fizzle

For the past two years, Chile's labor market seemed to walk on water. Unemployment increased to 6.4 percent in the three months through April from 5.9 percent just two months earlier. Euroamerica economist Felipe Alarcon says it could reach as high as 7.5 percent in the next few months, damping consumer demand in an economy already reeling from a drop in investment. Central banker Mario Marcel said the signs of mounting weakness in the labor market were already there — you just had to know where to look. The number of people finding salaried work started to fall in October of last year, a sign that stable work was becoming harder to find. By March almost no-one was stepping into salaried work. (Source: *Bloomberg*)

Denmark: 'Low Growth Crisis' Called Off After GDP Rebounds

Denmark bounced back in the first three months of 2016, quashing speculation that Scandinavia's smallest economy might have entered an extended period of low growth after a poor end to 2015. Gross domestic product grew by 0.5 percent on a quarterly basis and 0.6 percent on the previous year, according to better-than-expected data from Statistics Denmark. Economists surveyed by Bloomberg had predicted a growth rate of just 0.1 percent on the previous quarter and no growth year-on-year. Denmark's economy had barely grown in the previous quarter and had contracted 0.6 percent in the third quarter of 2015. After struggling during the second half of 2015, the Danish economy appears to have picked up momentum on the back of strong growth in Germany and Sweden, its two biggest trading partners. *(Source: Bloomberg)*

India: Growth Surges More Than Estimated Before Rate Decision

India's world-beating economic growth accelerated more than estimated at the start of 2016, easing pressure on central bank Governor Raghuram Rajan to lower borrowing costs when he reviews policy next week. Gross domestic product grew 7.9 percent in January-March from a year earlier, the Statistics Ministry said in a statement in New Delhi on Tuesday. That was faster than the 7.5 percent median estimate in a Bloomberg survey of 28 economists and 7.2 percent in the previous quarter. For the financial year through March, the economy expanded 7.6 percent in line with official forecasts -- up from 7.2 percent in the previous 12 months. The figures cement India's position as a bright spot among major emerging markets as China slows while Russia and Brazil see contractions. *(Source: Bloomberg)*

South Korea: Factory Output Drops Further Amid Weak Exports

South Korea's industrial production fell more than economists expected as weak exports and corporate restructuring of shipbuilders continue to hurt demand and business sentiment. Factory output dropped 2.8 percent from a year earlier in April, Statistics Korea said Tuesday, compared with a 1.3 percent decline estimated by economists in a Bloomberg survey. Production fell 1.3 percent from a month earlier. "The negative factory output data trend shows that the foundations of growth are weak," said Suh Dae Il, an economist at Mirae Asset Daewoo Co. "The government's push to restructure shipbuilders and shipping companies will further hurt domestic demand." *(Source: Bloomberg)*

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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